MHS Strategy
BSC Financial/Efficiency Metrics
Prospective Payment System

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Health Budgets and Financial Policy

OASD (Health Affairs)

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Mission and Vision

Mission

- To enhance DoD and our Nation's security by providing health support for the full range of military operations and sustaining the health of all those entrusted to our care

Vision

- A world-class health system that supports the military mission by fostering, protecting, sustaining and restoring health.

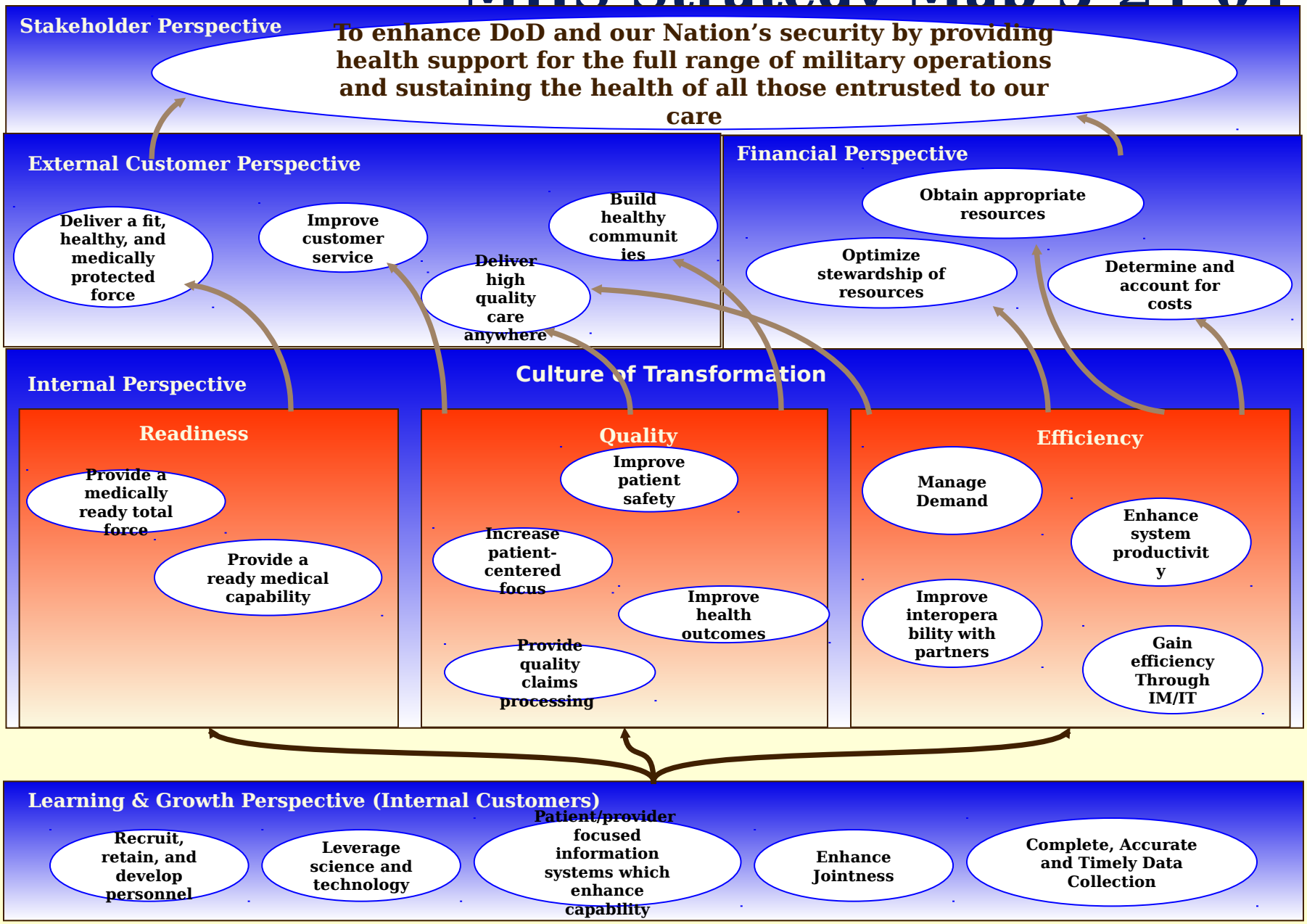
Destination

- 24-star endorsement of medical program

MHS GOALS

- **Improve service to external customers: Our customers are the Armed Forces and all those entrusted to our care.**
- **Enhance financial stewardship: Accomplish our mission in a cost effective manner that is visible and fully accountable.**
- **Improve Readiness: Focus on activities to enhance readiness of military forces and the medical assets that support them.**
- **Improve Quality: Ensure benchmark standards for health and health care are met.**
- **Improve Efficiency: Obtain maximum effectiveness from the resources we are given.**
- **Value our internal customers and leverage technology: Our people and our support systems are critical to giving us the capabilities to execute on all we set out to achieve.**

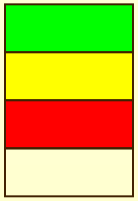
MHS Strategy Map 3-24-04


Stakeholder Perspective
To enhance DoD and our Nation's security by providing health support for the full range of military operations and sustaining the health of all those entrusted to our care
External Customer Perspective
Deliver a fit, healthy, and medically protected force
Improve customer service
Build healthy communities
Deliver high quality care anywhere
Financial Perspective
Obtain appropriate resources
Optimize stewardship of resources
Determine and account for costs
Internal Perspective
Culture of Transformation
Readiness
Provide a medically ready total force
Provide a ready medical capability
Quality
Improve patient safety
Increase patient-centered focus
Improve health outcomes
Provide quality claims processing
Efficiency
Manage Demand
Enhance system productivity
Improve interoperability with partners
Gain efficiency Through IM/IT
Learning & Growth Perspective (Internal Customers)
Recruit, retain, and develop personnel
Leverage science and technology
Patient/provider focused information systems which enhance capability
Enhance Jointness
Complete, Accurate and Timely Data Collection

MHS BSC Instrument Panel

B/U Slide

Perspective	Concept	Measure	DHP	Freq	As-of	Baseline	Current	Trend
External Customer	Satisfaction	Sat w/Plan (ADR)	Q2	Q	FY04 Q3	53%	54%	1.0%
	Preventive Services	Mammography	PH1	Q	FY04 Q2	82%	82%	0.0%
		Pap Smear	PH1	Q	FY04 Q2	92%	93%	1.0%
		Prenatal	PH1	Q	FY04 Q2	88%	89%	1.0%
		Hypertension	PH1	Q	FY04 Q2	89%	89%	0.0%
Financial	Cost	Cost per Enrollee (ADR)	C7	M	FY04 Apr	$ 161	$ 181	12.4%
	Enrollment	# of Enrollees		M	FY04 May	4,106	4,225	2.9%
	Workload	RWPs* See Notes	C4	M	FY04 Mar	20,178	22,369	10.9%
		RVUs (000s)	C2	M	FY04 May	2,421	2,273	-6.1%
	Claims	Enrolle Cost (Million $)		M	FY04 Mar	$ 157	$ 197	25.4%
Quality	Satisfaction	Sat w/Visit (ADR)	Q1	Q	FY04 Apr	88%	88%	0.1%
		Sat w/Access (ADR)	A1	Q	FY04 Apr	84%	83%	-0.6%
	Claims	Processing Time	A2	M	FY04 May	100%	100%	0.0%
Efficiency	Utilization	Beddays/1000* (Notes)	C6	M	FY04 Mar	238	244	2.5%
	Cost	Cost/RWP		M	FY04 Apr	$ 8,186	$ 8,975	9.6%
		Cost/APG		M	FY04 Apr	$ 103	$ 108	4.9%
	Primary Care	RVUs/FTE (ADR)	C1	M	FY04 May	15.0	13.8	-8.0%
	Marketshare	Inpatient* (Notes)	C5	M	FY04 Mar	50%	49%	-0.6%
		Outpatient (ADR)	C3	M	FY04 Mar	75%	71%	-4.1%
Learning and Growth	MEPRS	% Facilities Rpting		M	FY04 Apr	97%	96%	-1.0%
	SIDR	SIDR vs WWR		M	FY04 Apr	99%	92%	-7.1%
	SADR	SADR vs WWR		M	FY04 May	5	7	2

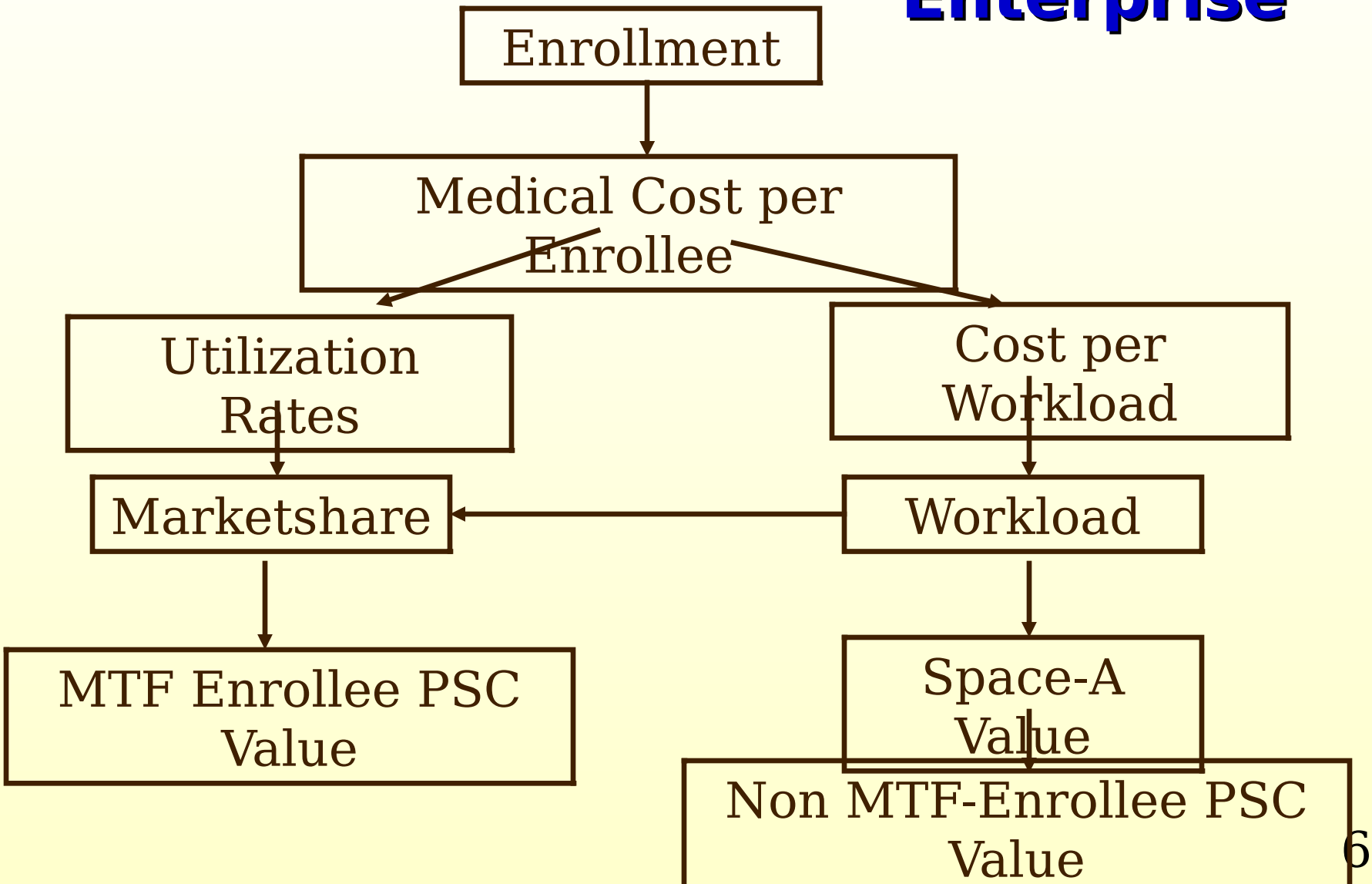


Meeting ADR Goal
Improvement but not meeting ADR Goal
Not meeting ADR Goal, not improving
No ADR Goal

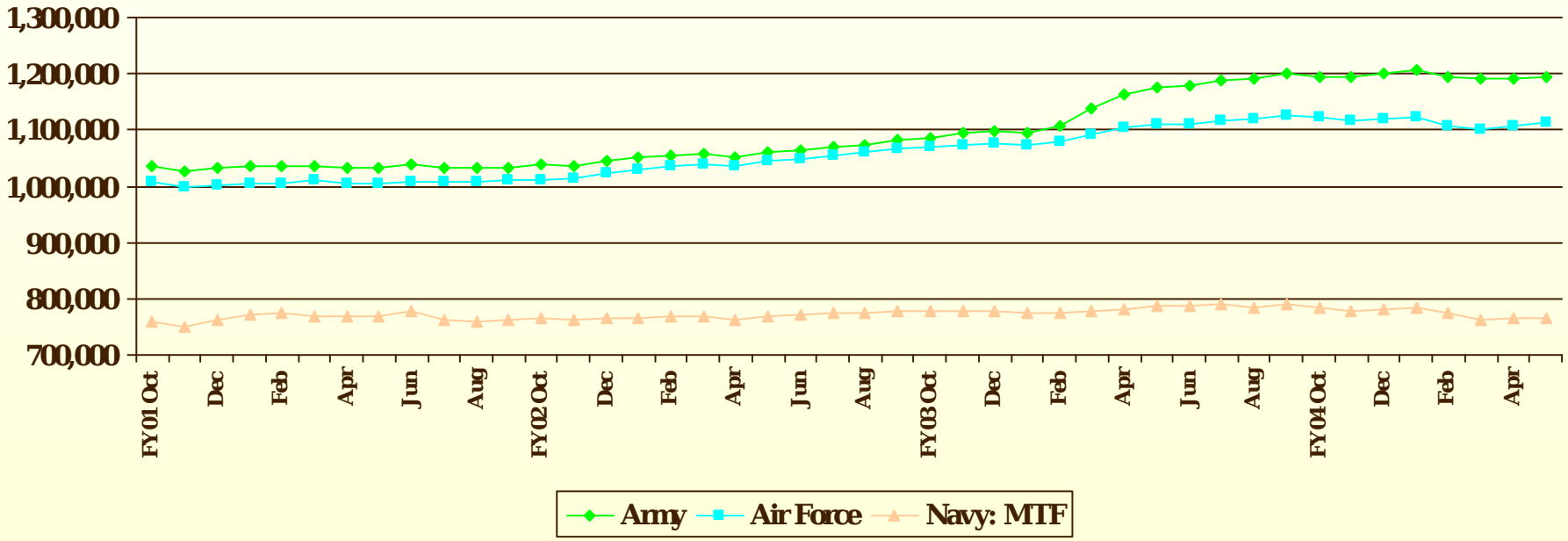
Positive Direction
Essentially Unchan
Negative Direction

ADR- Annual Defense Review (SECDEF Instrument Panel) metrics are color coded to ADR Goal standards

Measuring Cost Performance of an Enrollment/Production Enterprise

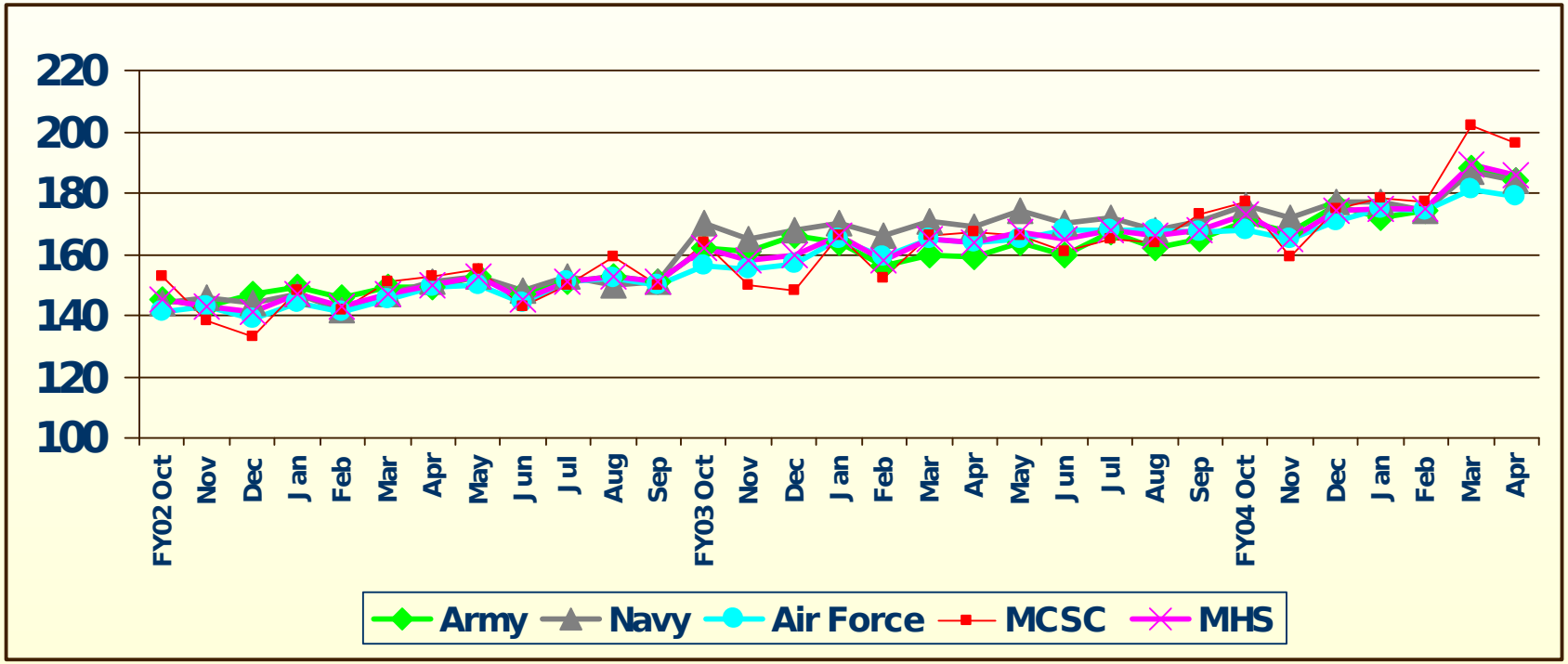


Financial
Total Enrollees



	2000	2001	2002	2003	2004 Q1	2004 Q2	2004 Apr	2004 May
Army	1,030,128	1,033,853	1,082,872	1,201,802	1,200,861	1,191,261	1,191,526	1,194,100
Air Force	1,004,971	1,009,688	1,068,237	1,126,350	1,118,915	1,102,120	1,105,905	1,114,450
Navy: MTF	765,100	763,305	776,277	789,946	780,761	763,364	763,887	765,068
Navy: OP Forces	49,787	86,837	93,191	116,860	120,987	132,095	135,347	141,034
Coast Guard	13,492	14,687	17,678	19,448	19,487	19,796	19,847	19,796
MCSC: Network/PCM	547,542	541,571	604,820	701,475	714,907	713,382	724,637	745,711
MCSC: TRICARE Prime Remote		25,157	75,188	150,081	151,449	151,685	151,991	154,473
USTF	97,113	96,080	92,385	89,221	88,994	89,048	89,418	90,432
MHS Total	3,508,133	3,571,178	3,810,648	4,195,183	4,196,361	4,162,751	4,182,558	4,225,064

Financial
Medical Cost per Equivalent Life

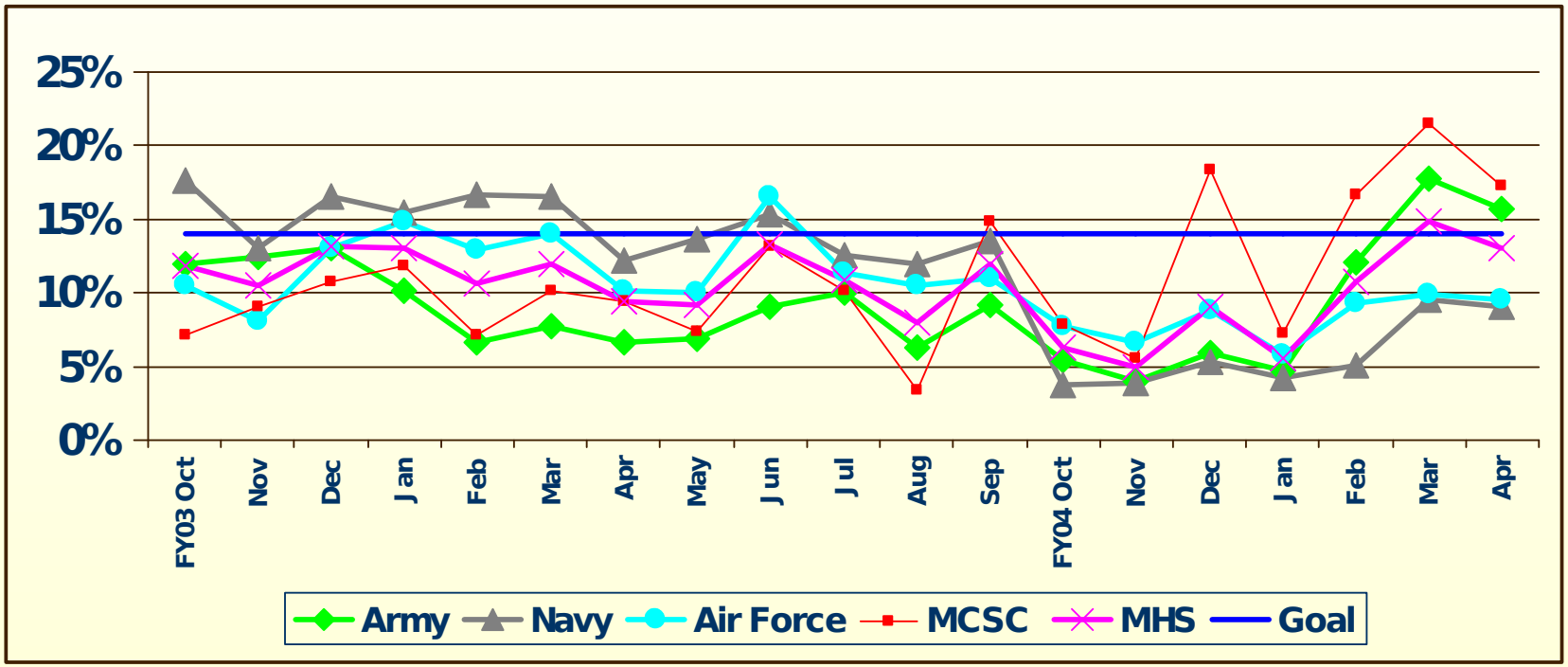


	FY02 YTD	FY03 YTD	Oct	Nov	Dec	Jan	Feb	Mar	Apr	FY04 YTD	FY04 Goal
Army	149	162	171	167	176	172	174	188	184	176	185
Navy	148	169	176	172	177	177	174	187	184	178	193
Air Force	146	163	168	165	171	175	174	181	179	173	186
MCSC: Network/PCM	148	162	177	159	175	178	177	202	196	181	185
MHS Total	148	164	173	165	174	175	175	189	186	177	187

Note: Enrollees are adjusted for age/gender

The Goal is to stay below a 14% increase. 14% is the projected increase for Private Sector Health Care premium increases

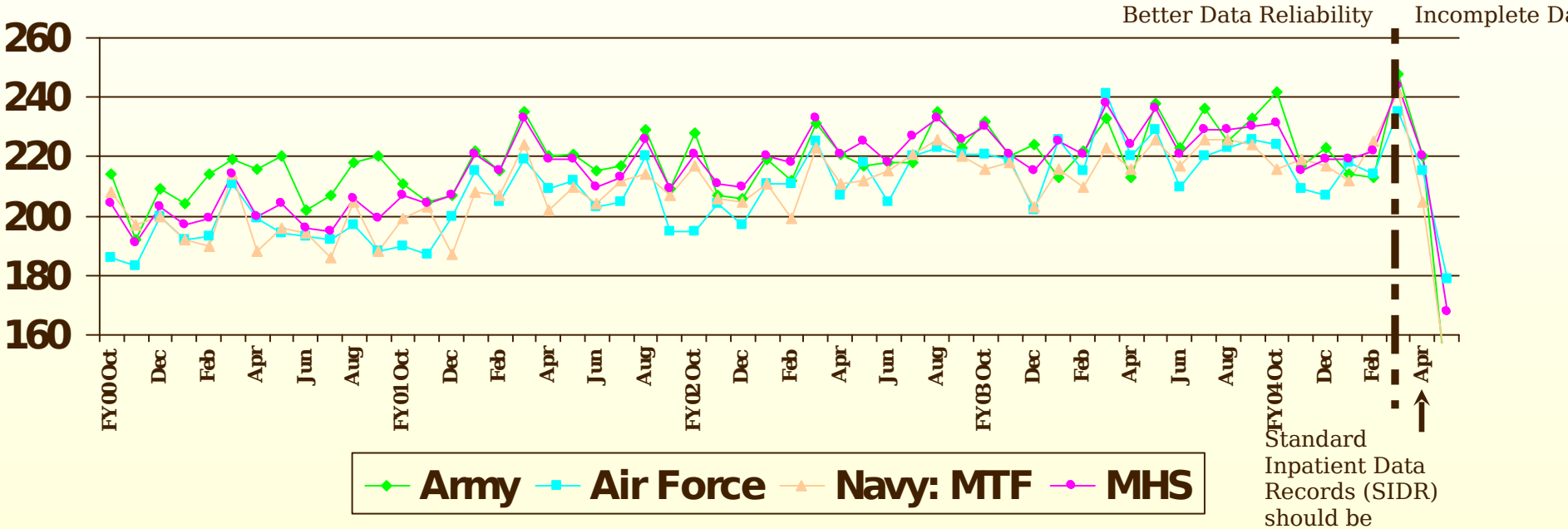
Financial
Medical Cost per Equivalent Life
% Change from Prior Year



	FY03 YTD	Oct	Nov	Dec	Jan	Feb	Mar	Apr	FY04 Pct	FY04 Goal
Army	9.1%	5.4%	4.0%	5.9%	4.7%	12.1%	17.7%	15.7%	9.3%	<14%
Navy	14.6%	3.8%	3.9%	5.3%	4.2%	5.1%	9.5%	9.1%	5.9%	<14%
Air Force	11.9%	7.7%	6.7%	8.8%	5.8%	9.3%	9.9%	9.6%	8.2%	<14%
MCSC: Network/PCM	9.6%	7.8%	5.5%	18.4%	7.3%	16.7%	21.5%	17.3%	13.5%	<14%
MHS Total	11.1%	6.3%	4.9%	9.1%	5.5%	10.8%	14.8%	13.1%	9.2%	<14%

Note: Enrollees are adjusted for

Efficiency
Bed Days per 1000 Enrollees



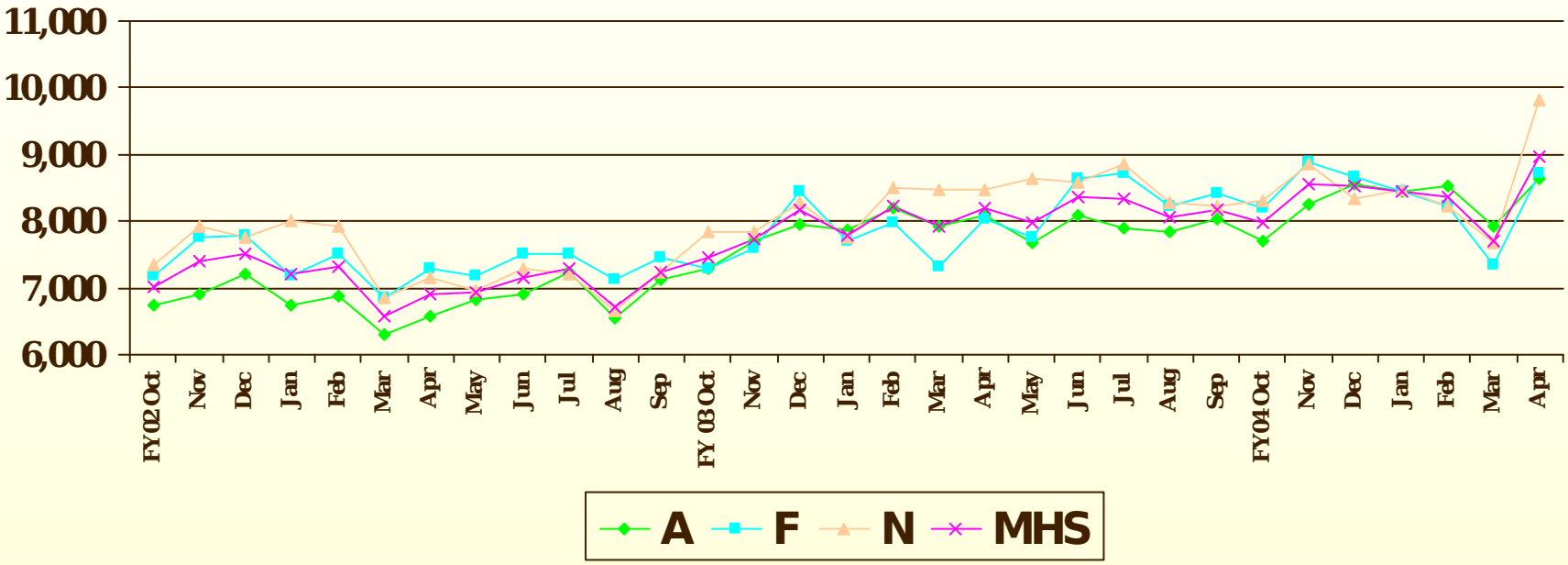
	2000	2001	2002	2003	2004 Oct	2004 Nov	2004 Dec	2004 Jan	2004 Feb	2004 Mar	2004 Apr	2004 YTD	FY 04 Subgoal
Army	211	218	220	225	242	217	223	214	213	248	220	225	200
Air Force	194	206	212	223	224	209	207	218	214	235	215	217	200
Navy: MTF	197	197	202	217	216	219	217	212	225	242	205	219	200
Navy: OP Forces	93	86	59	90	86	69	63	71	90	101	80	80	91
Coast Guard	58	69	66	70	52	76	63	51	48	92	54	62	78
MCSC: Network/PCM	210	270	287	301	301	277	293	299	306	325	308	301	271
MCSC: TRICARE Prime Remote		138	135	78	65	69	66	60	69	67	75	67	141
MHS Total	201	216	223	227	231	215	219	219	222	244	220	224	200

Note: FY04 Goals are not age/gender adjusted

Efficiency
Utilization Rates

	Enrollee Utilization		
	FY 03	FY 04 Plan	FY04 Proj
RWP/1k			
Army	71.8	64.3	76.8
Navy	71.0	65.6	77.2
Air Force	71.9	67.6	74.0
RVUs per Enrollee			
Army	8.7	8.7	8.9
Navy	8.3	8.0	8.9
Air Force	7.8	7.6	8.3

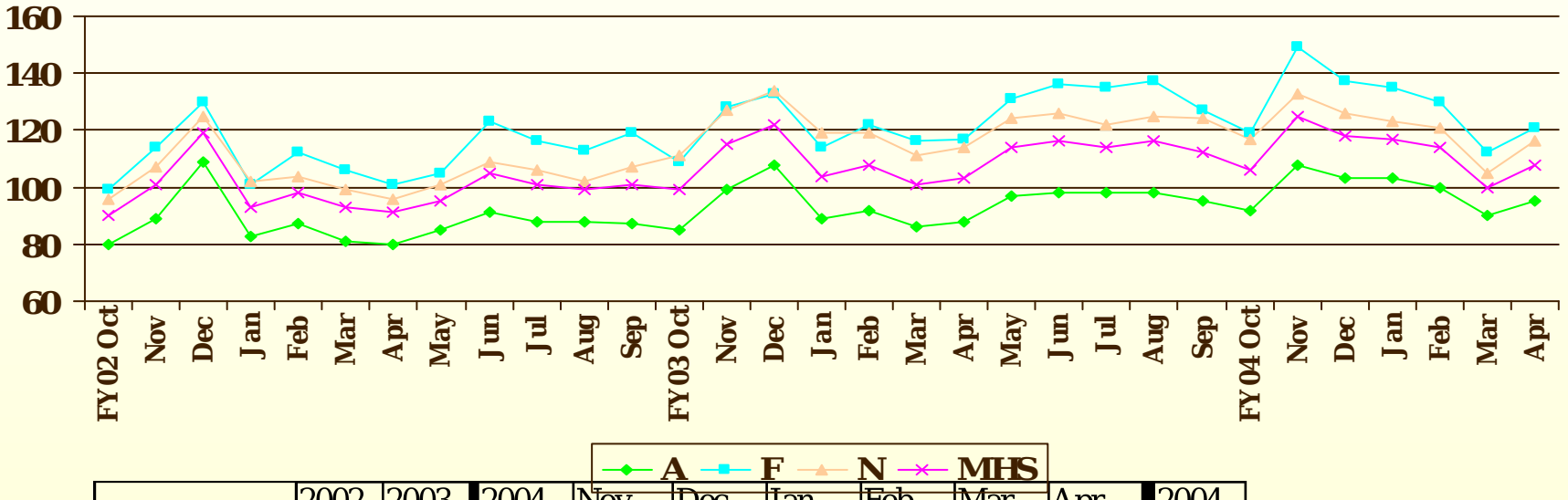
Efficiency
Cost per RWP (Proj)



	2002	2003	2004 Oct	Nov	Dec	Jan	Feb	Mar	Apr	2004 YTD
Army	6,827	7,874	7,708	8,259	8,548	8,446	8,526	7,922	8,647	8,279
Air Force	7,350	7,991	8,202	8,875	8,674	8,440	8,213	7,334	8,718	8,325
Navy	7,339	8,303	8,297	8,858	8,345	8,477	8,217	7,667	9,821	8,484
MHS Total	7,095	8,025	7,984	8,562	8,515	8,453	8,363	7,713	8,975	8,348

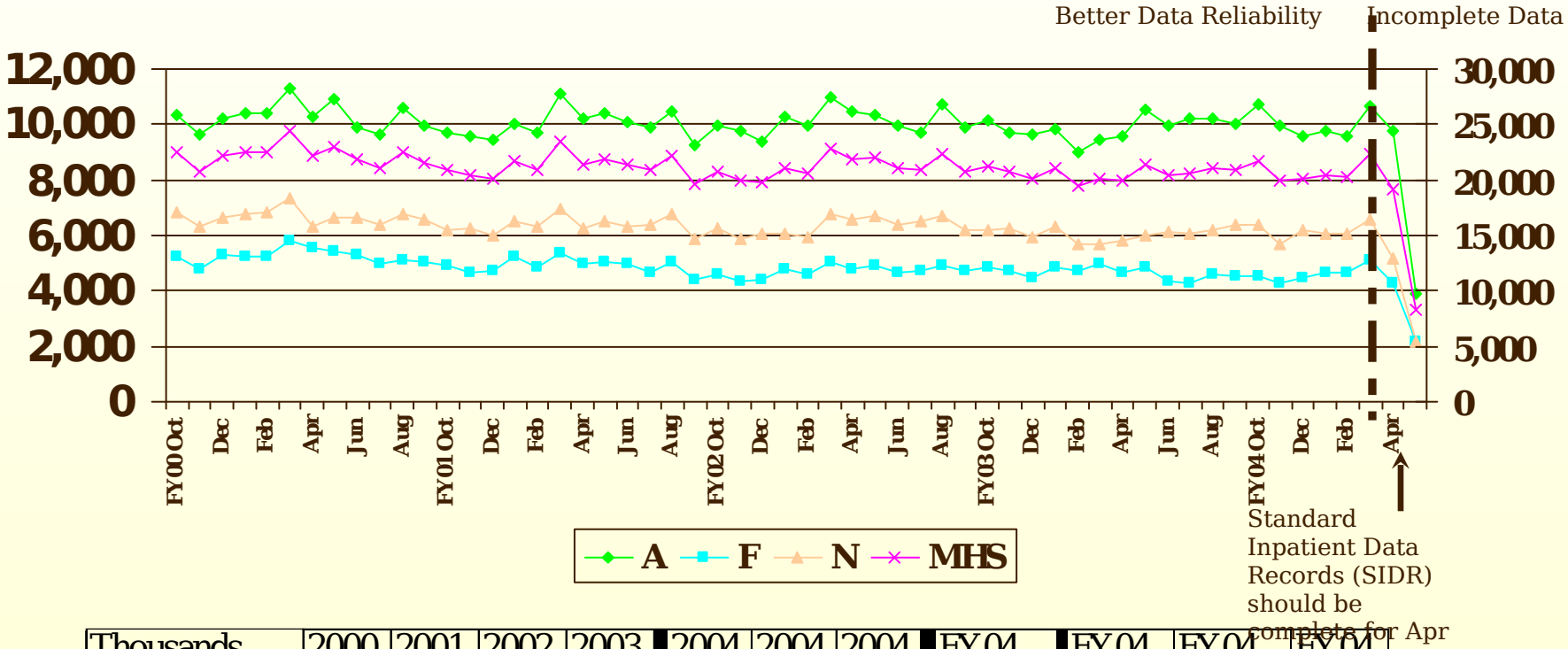
To compensate for missing Inpatient records, total RWPs were projected to completion using WWR dispositions counts

Efficiency
Cost per APG



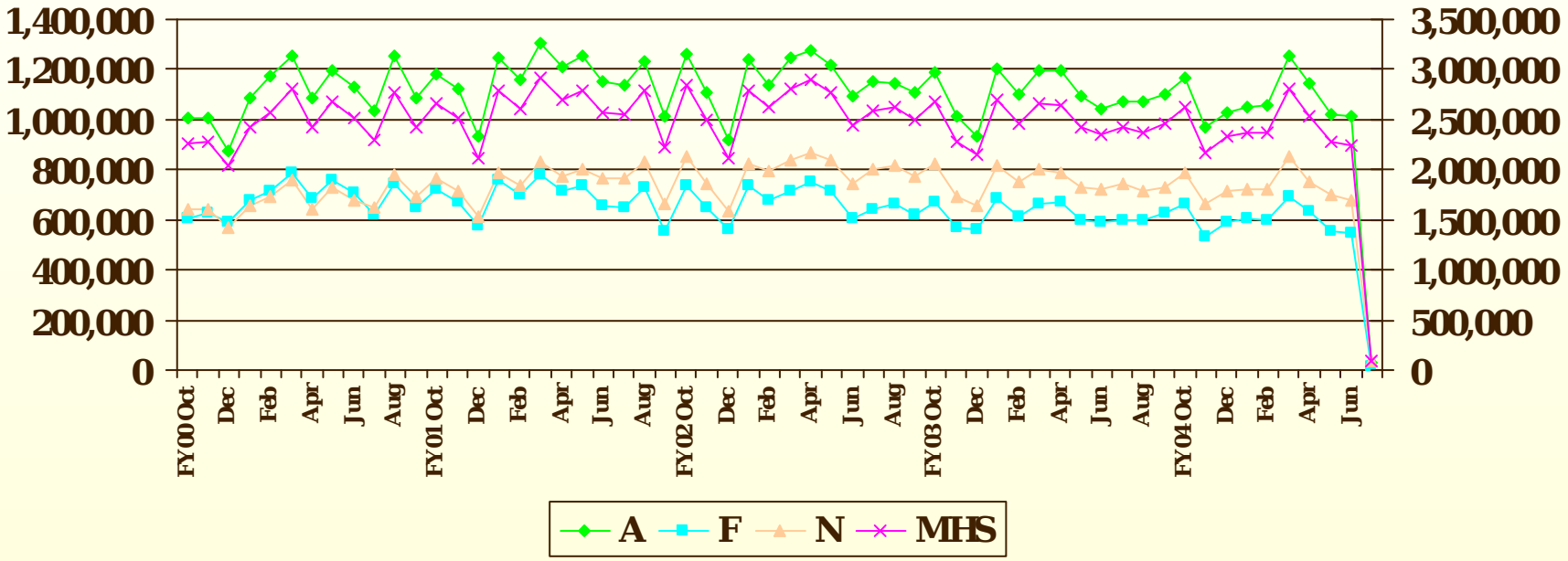
	2002	2003	2004 Oct	Nov	Dec	Jan	Feb	Mar	Apr	2004 YTD
Army	87	94	92	108	103	103	100	90	95	98
Air Force	111	125	119	149	137	135	130	112	121	128
Navy	104	121	117	133	126	123	121	105	116	119
MHS Total	98	110	106	125	118	117	114	100	108	112

Financial
Total RWPs



Thousands	2000 Total	2001 Total	2002 Total	2003 Total	2004 Q1	2004 Q2	2004 Apr	FY 04 Q1/Q2	FY 04 Proj Q1/Q2	FY 04 Goal Q1/Q2	FY 04 Goal
Army	123.6	119.8	121.4	118.3	30.1	30.0	9.8	60.2	61.4	60.0	120
Air Force	63.0	58.8	56.5	55.8	13.3	14.4	4.3	27.7	27.7	28.0	56
Navy	80.2	76.3	76.0	72.5	18.2	18.7	5.2	37.0	37.3	37.5	75
MHS Total	266.8	255.0	253.9	246.5	61.6	63.1	19.2	124.9	125.1	125.5	251

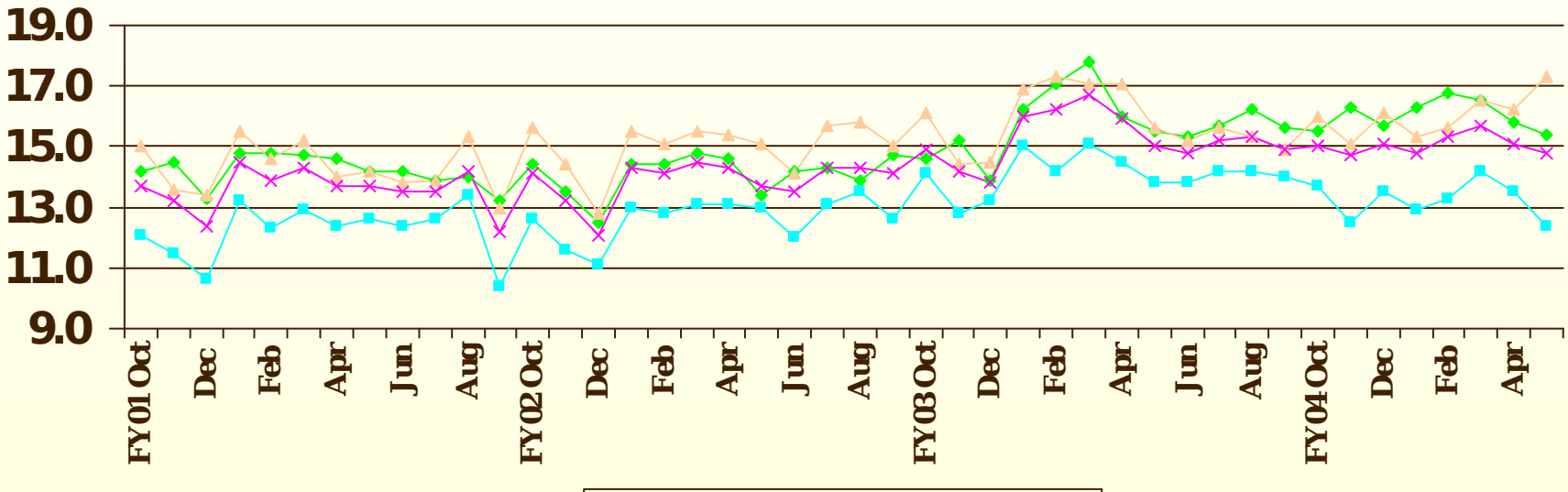
Financial
Total RVUs



Millions	2000 Total	2001 Total	2002 Total	2003 Total	2004 Q1	2004 Q2	2004 Apr	2004 May	2004 Q1/ Q2	FY 04 Q1/2 Goal	FY 04 Goal
Army	13.2	13.9	13.9	13.2	3.2	3.4	1.1	1.0	6.5	7.0	14.0
Navy	8.1	9.1	9.5	8.9	2.2	2.3	0.8	0.7	4.5	4.6	9.2
Air Force	8.2	8.2	8.1	7.4	1.8	1.9	0.6	0.6	3.7	4.0	7.9
MHS Total	29.5	31.2	31.5	29.5	7.1	7.5	2.5	2.3	14.7	15.6	31.1

Efficiency

RVUs per Primary Care Provider per Day

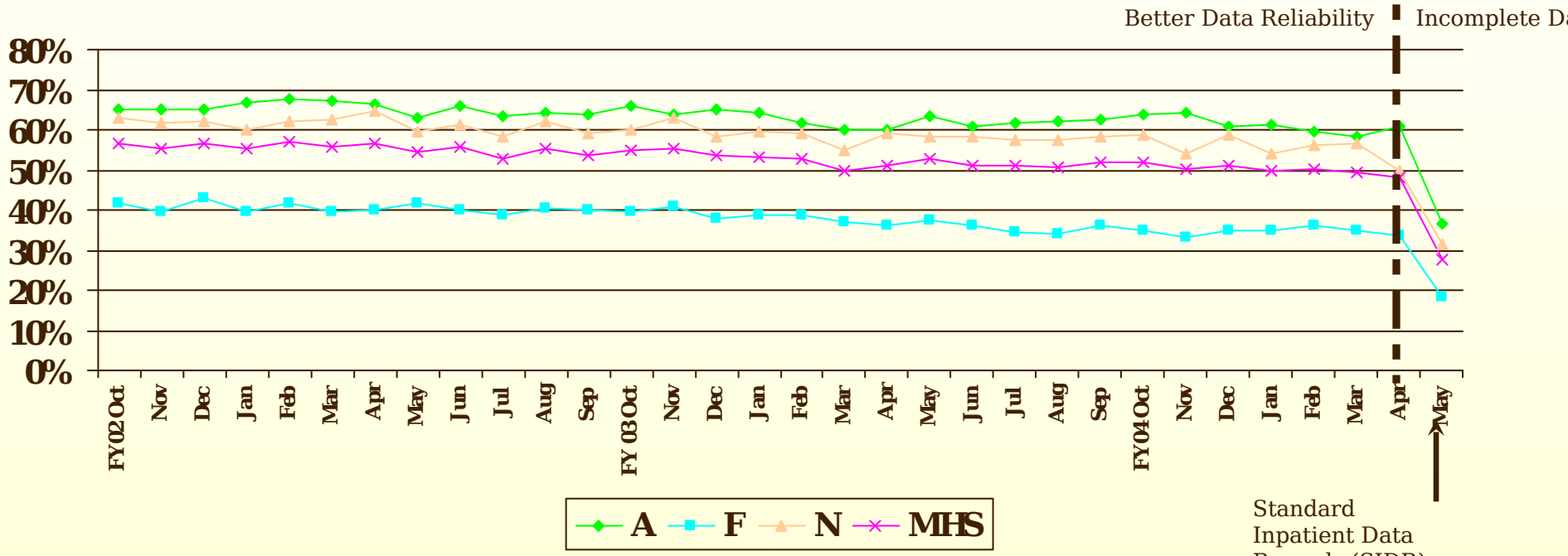


	2001	2002	2003	2004								2004	FY04 Goal		
	Total	Total	Total	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	YTD	Red	Yellow	Green
Army	14.2	14.0	14.8	14.7	15.5	14.9	15.4	15.9	15.6	15.0	14.6	15.2	<=14.8	>14.8 <15.4	>=15.4
Air Force	12.0	12.4	12.6	12.3	11.2	12.1	11.6	12.0	12.8	12.2	11.2	11.9	<=12.6	>12.6 <13.2	>=13.2
Navy	14.2	14.8	14.7	15.2	14.3	15.2	14.5	14.7	15.5	15.3	16.3	15.1	<=14.8	>14.8 <14.9	>=14.9
MHS Total	13.5	13.7	14.0	14.1	13.7	14.1	13.8	14.2	14.7	14.1	13.8	14.1	<=13.6	>13.6 <14.5	>=14.5

Due to missing May MEPRS data the following MTFs were excluded: **Army**: 0123 DeWitt ACH-FT. Belvoir. **Air Force**: 0051 78th Med Grp-Robins; 0006 3rd Med Grp-Elmendorf; 0097 97th Med Grp-Altus; 0101 20th Med Grp-Shaw; 0106 28th Med Grp-Ellsworth; 0114 47th Med Grp-Laughlin; 0287 15th Med Grp-Hickam; 0326 305th Med Grp-Mcguire. **Navy**: 0068 NMCL Patuxent River; 0280 NMCL Pearl Harbor.

This metric is one of the ADR metrics. In the ADR, performance is defined using Red/Yellow/Green.

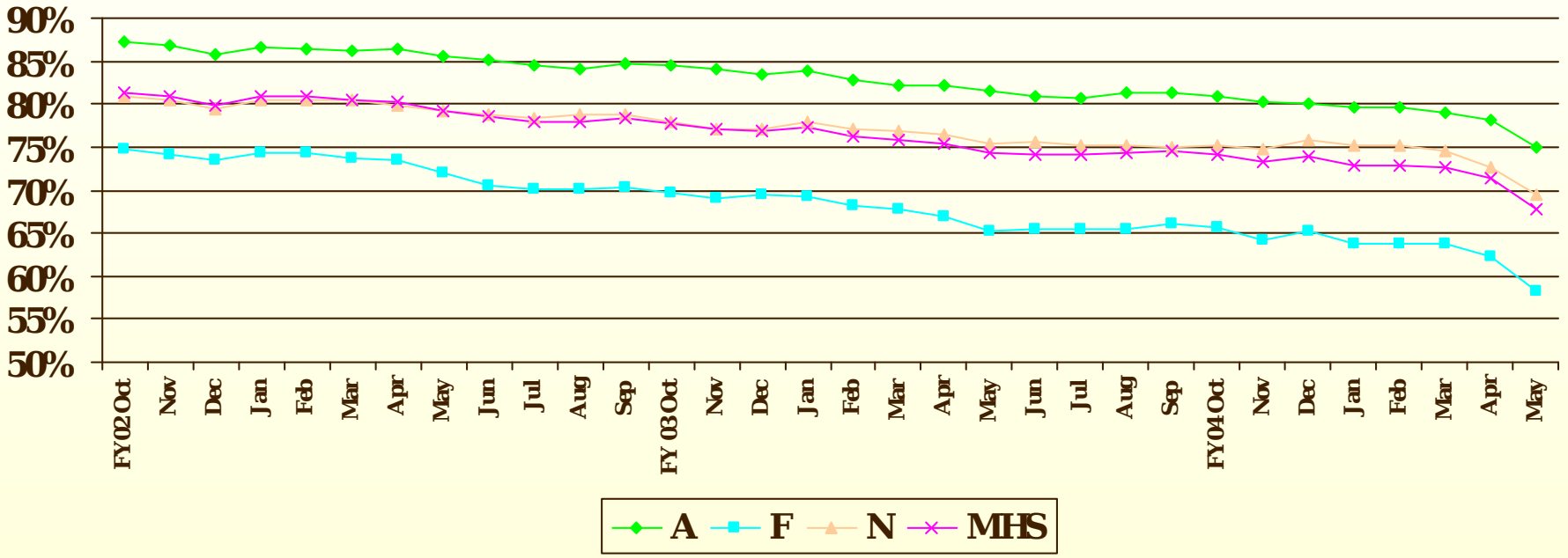
Efficiency
Enrollee Inpatient Market Share



Standard Inpatient Data Records (SIDR) should be complete for Apr

	2002 Total	2003 Total	2004 Oct	2004 Nov	2004 Dec	2004 Jan	2004 Feb	2004 Mar	2004 Apr	FY04 Q1/2	FY04 Goal
Army	65.7%	62.7%	63.7%	64.5%	60.9%	61.1%	59.5%	58.2%	60.7%	59.5%	66%
Air Force	40.7%	37.3%	34.8%	33.4%	34.7%	35.1%	36.4%	34.7%	33.7%	35.4%	40%
Navy	61.9%	59.1%	58.7%	53.9%	58.6%	54.2%	56.1%	56.5%	49.6%	55.6%	63%
MHS Total	55.8%	52.5%	52.1%	50.4%	51.0%	49.8%	50.3%	49.3%	48.2%	49.8%	56%

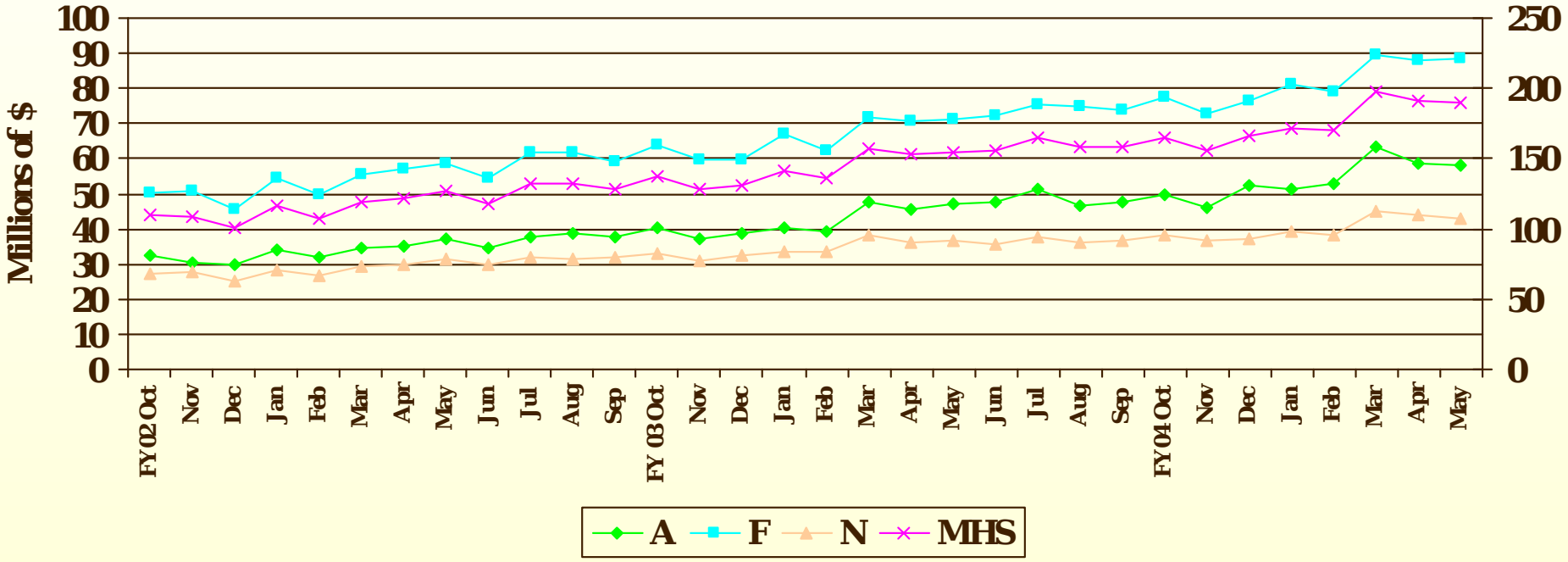
Efficiency
Enrollee Outpatient Market Share



	2002	2003	2004	2004	2004	2004	2004	2004	2004	FY04	FY04 Goal		
	Total	Total	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Q1/Q2	Red	Yellow	Green
Army	85.5%	81.8%	80.9%	80.3%	80.1%	79.5%	79.6%	79.0%	78.2%	79.9%	<=80	>80 <82	>=82%
Air Force	72.2%	66.6%	65.6%	64.1%	65.2%	63.7%	63.7%	63.9%	62.2%	64.4%	<=69	>69 <71	>=71%
Navy	79.6%	76.2%	75.2%	74.8%	75.8%	75.1%	75.1%	74.6%	72.7%	75.1%	<=76	>76 <78	>=78%
MHS Total	79.4%	75.1%	74.2%	73.4%	73.8%	72.9%	72.9%	72.7%	71.3%	73.3%	<=78	>76 <78	>=78%

This metric is one of the ADR metrics. In the ADR, performance is defined using Red/Yellow/Green.

Financial
Enrollee Purchase Care Claims Costs



Dollars in Millions	FY 02 Total	FY 03 Total	FY 04 Oct	FY 04 Nov	FY 04 Dec	FY 04 Jan	FY 04 Feb	FY 04 Mar	FY 04 Apr	FY 04 May	FY 04 YTD
Army	414.4	536.8	49.6	46.0	52.2	51.5	53.1	63.1	58.7	58.1	432.4
Air Force	658.8	834.6	77.4	73.0	76.5	81.2	79.2	89.5	87.7	88.6	652.9
Navy	350.5	425.4	38.0	36.9	37.1	39.4	38.2	44.8	44.1	42.9	321.3
MHS Total	1,423.7	1,796.8	165.0	155.9	165.8	172.0	170.5	197.3	190.6	189.6	1406.7

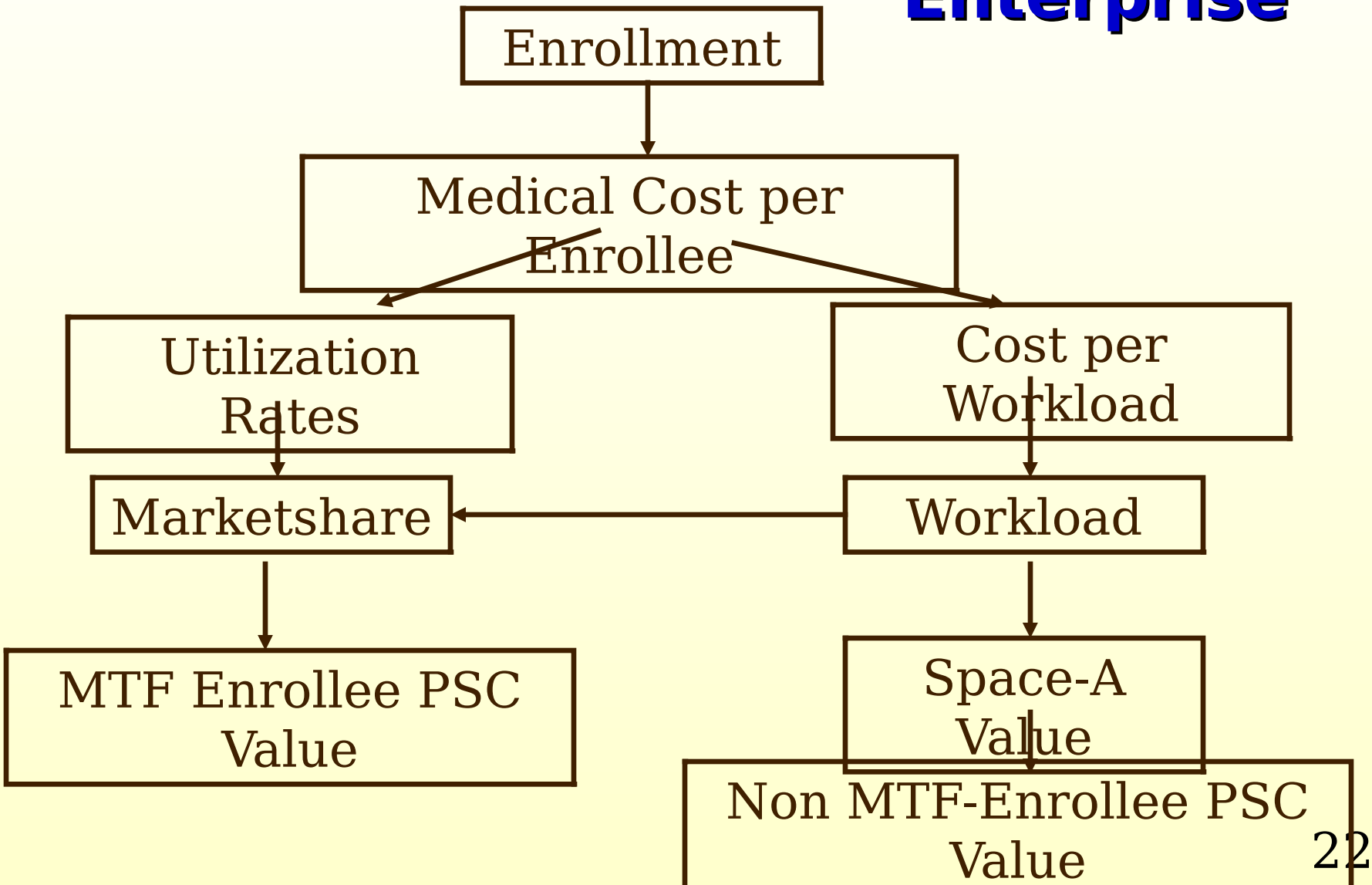
Enrollee PSC Value

	Enrollee PSC Value (FY04 $s)		
	FY 03	FY 04 Plan	FY04 Proj
Inpatient			
Army	$ 207,809,826	$ 159,692,555	$ 249,347,365
Navy	$ 144,280,003	$ 120,106,451	$ 171,710,684
Air Force	$ 329,292,728	$ 281,119,611	$ 361,622,061
Outpatient			
Army	$ 118,621,887	$ 101,905,841	$ 156,881,933
Navy	$ 91,443,012	$ 80,751,352	$ 109,021,422
Air Force	$ 192,576,895	$ 152,202,675	$ 240,884,556

Space-A Value

	Space-A Value (FY04 $s)		
	FY 03	FY 04 Plan	FY04 Proj
Inpatient			
Army	$ 314,624,136	$ 355,511,645	$ 334,340,932
Navy	$ 208,718,314	$ 248,803,766	$ 210,833,907
Air Force	$ 111,080,199	$ 170,112,766	$ 106,116,235
Outpatient			
Army	$ 361,756,284	$ 411,212,886	$ 345,058,705
Navy	$ 311,184,353	$ 339,164,760	$ 295,766,658
Air Force	$ 139,395,456	$ 189,811,964	$ 127,871,935

Measuring Cost Performance of an Enrollment/Production Enterprise



Prospective Payment System Budgeting: Valuing Business Plans

Basic Equation

Capitated Payment
- Enrollment
- Medical Cost per Enrollee
- Utilization Rates
- Cost per Workload

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Fee for Service for enrollee care from MCSC
- Marketshare
- MTF Enrollee PSC Value

–

Fee for Service for enrollee care from MCSC

+

Fee for Service for Space-A Care
- Workload
- Cost per Workload